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IN THE

Supreme Court of the United States

OCTOBER TERM, 1960

No. 427

GENERAL DEVELOPMENT CORPORATION,
Formerly named Florida Canada Corporation;
formerly named Chemical Research Corporation,
Petitioner,

vs.

UNION CARBIDE & CARBON CORPORATION,
Respondent

PETITIONER'S REPLY TO RESPONDENT'S OPPOSITION BRIEF IN CERTIORARI

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INDEX TO AUTHORITIES CITED

DuPont Powder Co. v. Masland, 244 U. S. 100, 102. . .

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I.

Respondent's contention that this case relates merely to patents; that it is "not one for breach of contract licensing the use of secret process" is *entirely wrong*.

In petitioner's Second Amended Complaint as plaintiff herein, the Gyro Process is described as including—

> "* * * more important and novel features of the process comprised unpatented features of apparatus design and operating know-how for particular elements and operations not described in patent disclosures, but nevertheless essential to the successful and efficient operation of Gyro's over all processes, and which unpatented features included among other matters apparatus design details, engineering data, operating data and technique as to reaction temperatures, pressures, velocities, time of reaction periods and other data resulting from experimentation, and also know-how as to the unified use, together in combination variously, and in manner not disclosed by patent protection, of all variously of said various patented and unpatented features, and all of which unpatented features had been devised and developed by Gyro at great cost and by extensive experiments *and were then and thereafter practiced and preserved as secret data and secret process, and as trade secrets of said Gyro Process Company*" (181a, 182a).

Our controlling contract expressly recognizes the inclusion of unpatented process inventions and discoveries as distinct elements of the over all Gyro Process and also acknowledges Gyro's exclusive ownership of the same.

> "Whereas Licensor is the owner of and/or controls the right to license the use and operation of certain inventions, discoveries, Letters Patent of the United States of America and elsewhere, and Applications for Letters Patent now pending in the United States of America and elsewhere, * * * some of which are new and distinctive, and which process is herein for convenience denominated the 'Gyro Process', and which also cover and/or appertain to certain of the product or products derived from the use of said process, which Letters Patent of the United States of America are in part at least de-

scribed as follows, to-wit: (enumerating 5 particular patents) (11a).

"And Whereas, Licensee desires to obtain from Licensor a license to use and operate the said process, discoveries and inventions * * *.

"Now, Therefore, * * *.

"(1) Licensor hereby grants and gives to Licensee an indivisible, non-exclusive and non-assignable right, privilege, authority and license to use, operate and manufacture under, and to use and sell the products derived from the use of, the said patents, patent rights, processes, inventions, *discoveries and applications hereinabove referred to and which are for convenience called the 'Gyro Process,' including * * * any and all improvements on said patents, applications, inventions, discoveries and processes * * **" (12a).

* * * * *

"(11) This Agreement shall cover any future improvements or additions to the discoveries, inventions, patents, applications, apparatus or process, which form a part of the operation of said Gyro Process, which may hereafter become the property of or come under the control of Licensor * * *" (17a).

The factual detail of these unpatented matters will of course, be disclosed in full on the trial.

Respondent's acknowledgment of Gyro's process ownership coupled with respondent's acceptance of limited rights only for use of the same is sufficient to constitute the same "a secret process".

"* * *The word property as applied to * * * trade secrets* is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable

> secret or not, the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be. * * * the defendant stood in confidential relations with the plaintiffs, or one of them. These have given place to hostility, and the first thing to be made sure of is that the defendant shall not fraudulently abuse the trust reposed in him. It is the usual incident of confidential relations. If there is any disadvantage in the fact that he knew the plaintiffs' secrets he must take the burden with the good."

DuPont Powder Co. v. Masland, 244 U. S. 100, 102.

Furthermore upon the trial, petitioner's evidence will disclose the actual facts of secrecy as preserved by Gyro in the general course of process development.

The license description of Gyro Process is quoted from the original running royalty license dated in September, 1927. When the succeeding paid up license was substituted in 1943, a large amount of new process elements had meantime been developed and disclosed to Carbide along general lines as acknowledged by respondent's own affiant, Cary Wagner, viz.:

> "3. Affiant further says that during the period from April 1926 to June 1932 he was in general charge of the development work on the Gyro Process, * * * carried on by said The Pure Oil Company at its plant at Cabin Creek, W. Virginia, and is thoroughly familiar with all the details of that work.
>
> "4. Affiant further says that in the fall of 1927 he was advised that Gyro Process Company (hereinafter sometimes called 'Gyro') had entered into a license agreement with Carbide and Carbon Chemicals Corporation, under which Gyro had licensed

Carbide to construct at South Charleston, W. Virginia, a plant designed for 1,000 barrels of input into the apparatus used in the operation of said Gyro Process and had agreed to furnish Carbide as licensee complete and detailed plans, drawings and specifications for such construction and full information with respect to methods of operation of same; and that his employer, said The Pure Oil Company, owned an interest in Gyro Process Company at that time, *and affiant was directed to furnish to Carbide all possible assistance in the construction of said plant and all information in his knowledge as to the methods of operation thereof, including the results of experimentation made by and under the supervision of affiant and including information as to improvements and additions to such operation.*

"5. Affiant further says that employees of said Carbide made visits from time to time to the said Cabin Creek Plant and *that affiant and his associates in said Gyro Process operations and the development thereof furnished to said employees of Carbide numerous drawings, data sheets and other written information and oral information as to such operation, including operating techniques, as to reaction temperatures, pressures, velocities, time of reaction periods, arrest of reaction, and also plans and specifications as to equipment and the arrangement thereof.*

"6. Affiant further says that he and his associates from time to time visited the plant of Carbide at South Charleston, W. Virginia, and gave to the employees of Carbide information, data, suggestions and assistance for the successful and efficient operations of said plant.

"7. Affiant further says that these visits back and forth and *transmittal of information of all kinds relating to the equipment for the operation of said Gyro Process and relating to the operation thereof, extended from the fall of 1927, over a period*

of approximately three to four years" (196a, 197a, 198a).

II.

Respondent's denial of application of the written contract to process usage in *extraneous* plants, is also erroneous.

The 1943 license clearly refers to plants other than the original Gyro unit at South Charleston. It grants Carbide a general release of liability for Carbide's prior practice of the Gyro Process in *plants wherever situated*, which might be separate from the original unit.

Further this agreement after granting Carbide a future license confined to the original Gyro unit, provides for arbitration of—

> "any dispute • • • as to *whether or to what extent if any*, Carbide shall after date of this agreement, have operated in excess of the amounts permitted • • • or as to any other matter whatsoever" (8a).

There is no limitation in this quotation as to place where Carbide's excess operation must have been conducted in order to constitute excess above license limits. In fact the words "*any extent*" are broad enough to include excess practice wheresoever conducted.

III.

In respondent's brief, page 7, the following is stated respecting respondent's refusal to arbitrate—

> "• • • If Respondent committed a technical breach it is of no moment. Petitioner's rights under the contract were thereby in no way changed • • •."

This statement is wrong, for upon the so-called technical breach; petitioner then became remitted to judicial remedy in lieu of rejected arbitration. This judicial remedy became available to petitioner for reparation of Carbide's excess process use. See original petition herein, page 14 *et seq.*

IV.

The conflict with *Bofors* still persists, because the decision of the court below deprives petitioner of a contract remedy and the *Bofors* decision, if not abrogated, deprives petitioner of tort remedy. All this in spite of the fact that the arbitration clauses were intended to grant remedy for any excess use by Carbide above permitted limits.

CONCLUSION

It is therefore submitted that the writ should be granted as prayed.

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